

# MEETING MINUTES

## STATE OF WASHINGTON ~ BOARD OF PILOTAGE COMMISSIONERS

September 26, 2016

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### **SPECIAL MEETING - Call to Order**

A special meeting of the Board of Pilotage Commissioners was convened at 9:05 a.m. by Chair Sheri Tonn in the Alki Conference Room, 2901 Third Avenue, Seattle, Washington.

#### **Present:**

Chair: Sheri Tonn Vice Chair: Ned Kiley

Commissioners: Chuck Adams (via telephone), Grant Stewart, Don Mayer, Ed Marmol, Sara Thompson and Eleanor Kirtley

Administration: Jaimie Bever, Shawna Erickson, Peggy Larson

Mike Moore, Jordan Royer: Pacific Merchant Shipping Association

Linda Styrk, David Grobschmit, Majken Ryherd, Ivan Carlson: Puget Sound Pilots

Lou Paulsen: The Northwest Seaport Alliance

**2016 Annual Tariff Hearing Preparation – Puget Sound Pilotage District.** The following action was taken at the September 15<sup>th</sup> regular monthly meeting and is being re-visited today for purposes of establishing intent and justification for all proposed tariff changes:

**Original Motion:** Kiley/Adams - Amend the PSPD tariff by applying an adjustment in a range between a decrease of 3% and an increase of 7% excluding the *Transportation to Vessels on Puget Sound* category with no portion of the tariff increasing more than 7% – Carried.

**1<sup>st</sup> Amendment:** Mayer/Marmol - also have the ability to increase the *LOA Rate Schedule* up to 25% - Failed.

**2<sup>nd</sup> Amendment:** Mayer/Marmol - also have the ability to increase the *LOA Rate Schedule* and the *Tonnage Charges* category up to 15% while staying within the constraints of the overall range of a decrease of 3% and an increase of 7% - Carried.

**Amendment to the 2<sup>nd</sup> Amendment:** Thompson/Marmol - modify the “Delinquent Payment Charge” category to read “Payment Terms and Delinquent Payment Charge” – Carried.

#### **Restated Amended Motion:**

- Amend the PSPD tariff by applying an adjustment in a range between a decrease of 3% and an increase of 7% excluding the *Transportation to Vessels on Puget Sound* category with no portion of the tariff increasing more than 7%; and
- Increase the *LOA Rate Schedule* and the *Tonnage Charges* category up to 15% while staying within the constraints of the overall range of a decrease of 3% and an increase of 7%; and
- Modify the title *Delinquent Payment Charge* by renaming it the *Payment Terms and Delinquent Payment Charge*.

Stakeholders were asked to present further rationale supporting their requests filed at the 9/15 meeting. Lou Paulsen representing The NWSA offered an abbreviated version of his earlier proposal:

- Set a three-year tariff beginning January 1, 2017 through December 31, 2019 to be reaffirmed and implemented annually.
- In the first year, 1) eliminate the *Bridge Charges* category and related fees and 2) make no further changes to the tariff.
- In future years, consider adopting, 1) a target Gross Revenue Per Assignment (GRPA) amount; and 2) a rate adjustment factor to be applied to the target GRPA based in part on the Consumer Price Index (CPI).

He stated that this revised tariff will simplify the rate structure, provide rate and revenue stability and promote operational efficiencies. Increasing the tariff on top of a surplus of revenue sends a very unhealthy message that we are out of sync with what is happening in a struggling industry.

**PSP** requests an increase of 7% based on increased pilot boat maintenance costs, pilot training, the purchase and upgrade of computer telecom equipment, preventative maintenance to the pilot station facility, and an increase in staff compensation as well as competitive compensation for pilots.

PMSA requests a decrease of 3% based on reported revenue which exceeded the 2% targeted increase set by the Board at the 2015 tariff hearing. Revenue per assignment significantly increased by 8% YTD and over 7% for the tariff year. This surplus tariff revenue exceeds any changes in expenses put forth by PSP. Additionally, ports are in an intense competition for cargo with the industry in financially difficult times with a major bankruptcy and financial losses leading to alliances and consolidation making port competition even more intense.

Motion: Mayer/Marmol - Strike the 2<sup>nd</sup> Amendment to the original motion which reads, "increase the *LOA Rate Schedule* and the *Tonnage Charges* category up to 15% while staying within the constraints of the overall range of a decrease of 3% and an increase of 7%" - Carried.

3<sup>rd</sup> Amendment: Kiley/Thompson – add the words "across-the-board" (which were implied but not stated in the original motion), add the words "and from" to the *Transportation to and from Vessels on Puget Sound* category, and exclude the *Trainee Surcharge* from the proposed range of adjustments – Carried.

Amendment to the 3<sup>rd</sup> Amendment: Kirtley/Stewart – strike the "across-the-board" language – Failed.

Motion: Marmol/Kirtley – amend the language in the *Delinquent Payment Charge* category to read, "Payment terms are cash. Payment terms may be extended to 30 days with approval of credit. A 1½% per month delinquent payment charge will be assessed on unpaid balances over 30 days from date of invoice" - Carried.

Restated Final Motion:

- Amend the PSPD tariff by applying an across-the-board adjustment in a range between a decrease of 3% and an increase of 7% excluding the *Transportation to and from (new language) Vessels on Puget Sound* category and the *Training Surcharge* category with no portion of the tariff increasing more than 7% and
- Amend the *Delinquent Payment Charge* to read "Payment Terms and Delinquent Payment Charge: Payment terms are cash. Payment terms may be extended to 30 days with approval of credit. A 1 ½% per month delinquent payment charge will be assessed on unpaid balances over 30 days from date of invoice".

Following further discussion, Q and A, and a review of PSP financial data some long-term goals for future tariff hearings were set: reduce the hockey stick effect created by the unevenness of the tonnage charges and consider rate re-design while keeping it revenue neutral.

On October 20<sup>th</sup> each stakeholder will get 5 minutes to present an executive summary of their proposal. On November 10<sup>th</sup> at the hearing, each stakeholder will get 30 minutes to present followed by Q and A.

Chair Tonn adjourned the special session Board meeting at 11:00 a.m.

**CLOSED SESSION – Call to Order**

*A Closed Session of the Board of Pilotage Commissioners was convened from 11:05 a.m. to 11:10 a.m. in the Alki Conference Room, 2901 Third Avenue, Seattle, Washington to discuss legal matters. In attendance were Commissioners Tonn, Kiley, Adams (via phone), Stewart, Mayer, Marmol, Thompson and Kirtley; and BPC staff Jaimie Bever, Shawna Erickson and Peggy Larson.*

Respectfully submitted,

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Sheri J. Tonn, Chair

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Peggy Larson, Executive Director

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Edmund I. Kiley, Vice Chair

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Commissioner Charles F. Adams

**Absent**  
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Commissioner Philip Morrell

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Commissioner J. Grant Stewart

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Commissioner Donald W. Mayer

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Commissioner Edmund Marmol

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Commissioner Eleanor Kirtley

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Commissioner Sara Thompson